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ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
January 1989

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WEATHER HAS CREATED A JANUARY EFFECT

Many investors are aware that tax-loss selling toward the end of the year leads to decreases in values of over-the-counter stocks, which are heavily held by individual investors. In the beginning of a new year, the selling subsides and some of these issues are repurchased. As a result, the stock market tends to rise, led by smaller valuation issues. Such a condition occurred this January. This phenomenon has become known as the "January Effect".

Unusually mild weather in January apparently is creating another January Effect. Economic data has appeared more robust than anticipated. In addition, the beginning of year shifting of weights and changing seasonal adjustments has created the appearance of sharply accelerating inflation. Combined, these events suggest that a resurgence in economic activity developed.

Such a resurgence will not be certain until the data for February becomes available. If the mild weather created a "January Effect" in the economic data, January's robust readings will be followed by exceptionally sluggish growth in February. This is what is anticipated as winter weather reappeared in that month.

Indeed, the weather-related distortions in January probably were widespread. Not only was there the obvious acceleration in housing activity because so much work could be accomplished, but the absence of any weather-delaying conditions probably aided retail activity, except in the apparel area, and even manufacturing.

However, not all January data appears to have been significantly improved by this mild weather. Excluding utilities, industrial production showed a spurt of 0.5%, but the warm weather clearly reduced the demand for utilities. As a result, total industrial production rose only 0.3%. This led to no change in measured capacity utilization, even though the utilization rates of factories rose 0.2 percentage points.

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While mild weather distorted economic conditions, President Bush was able to propose adjustments to the Reagan budget that appeared to please everybody, except those who wanted to see attempts to reduce budget deficits. The President introduced several new programs, including tax exemptions for enterprise zones, child care, and capital gains. The capital gains provision is not expected to become law.

Unfortunately, the Bush projections of less than $100 billion in deficits in the next fiscal year are based upon faulty economic assumptions. The budget assumes that short-term interest rates will average 7% this year. That appears to be 2 percentage points too low. Deficits probably will increase approximately $6 billion for every percentage point error in interest rate estimates.

Also, economic growth probably is overstated by about 0.5 percentage points. This causes several billion more in overstated revenues. The Bush budget also continues overestimating corporate profit tax collections. Corporate restructuring clearly has been a factor in sharply reducing effective corporate tax rates. Another $10 billion in overestimated revenues probably occurred here. Provisions for the savings and loan bailout are not fully reflected. More than $50 billion in bonds will be issued this year to support shaky assets in that industry. They will be counted as investments by the insurance agency. Interest paid on those bonds over and above any increased insurance premium will reflect an agency loss. Therefore, deficits of government enterprises probably will be $7 billion higher than currently projected. While some budgetary savings will occur as Congress reduces defense below even zero real growth, increases in other expenditures probably will wash out. The result is probably a deficit that is underestimated by $35 billion.

Of course, even though long-term government bonds used to finance S&L assets will not be included in the deficit, they will be an increased burden upon the long-term bond market. For that reason, long-term interest rates are expected to rise further. Bush's budget and the S&L problems almost assure rising interest rates through most of the year.

Quarterly Profile of GNP

	1988-4	1989-1	1989-2	1989-3	1989-4	1990-1	1988 Annual	1989 Annual
Real:	2.0	5.0	3.3	2.3	1.5	1.2	3.8	2.9
Price:	4.7	4.3	4.7	5.2	5.4	5.3	3.3	4.6
Nominal:	6.8	10.1	8.2	7.8	7.0	7.0	7.3	7.7

Monthly Statistical Highlights

	January 1989	February 1989
Payroll Employment		+168,000
Index of Hours Worked		+0.2%
Household Employment		+165,000
Civilian Unemployment Rate		5.4%
Personal Income	+0.8%	+0.7%
Retail Sales		+0.9%
Auto Sales		10.0 *
Housing Starts		+12.4%
Housing Permits		-3.9%
Savings Rate	5.0%	
Personal Consumption	+0.4%	
Construction Expenditures	+1.2%	-2.8%
Business Inventories	+0.6%	+0.6%
Orders For Durable Goods	-4.7%	-0.2%
Orders For Nondefense Capital Goods	-8.2%	-1.7%
Industrial Production		+0.3%
CPI		+0.3%
PPI		+0.4%
Consumption Deflator	+0.4%	+0.4%
Leading Indicators	-0.2%	-0.3%
Currency Index		+1.1%
Equity Index		+2.1%
Real GNP (AR)	+5.8%	+0.3%
M1 (AR)		+4.0%
M2 (AR)		+3.7%

* auto sales in millions

Commentary

Employment - Employment was exceptionally strong in January as construction increased by more than 100,000 and manufacturing activity was up more than 35,000. Strong gains in retail activity also suggest that weather probably unduly stimulated activity there as well. The index of hours worked surged by 1%. Obviously, a continuation of strong employment growth would imply dramatic first-quarter increases in real GNP. However, the absence of inclement weather may have overstated payroll employment by more than 150,000. This would suggest that underlying employment probably was growing 250,000. With some absence of growth in those sectors during February, unusually modest employment growth is expected at that time. An extension of the workweek may also reflect the absence of inclement weather. Therefore, the workweek should shrink next month.

The surge in civilian employment is more difficult to explain. Perhaps, the surveys merely are catching up with the enormous overstatement of payroll employment that occurred during 1988.

Instead of the hourly earnings index, it is now necessary to rely upon hourly earnings, which are not adjusted for overtime and composition shifts. As

overtime increased in January, the 0.6% increase in hourly earnings probably overstates wage pressures. Nevertheless, some intensifying wage pressures probably are developing. Following compensation increases of 5.8% in the third quarter and 5.7% in the fourth quarter, compensation may have increased more than 6% in the first quarter of 1989. Initial unemployment claims are gradually drifting upward, although the weekly fluctuations have widened. This confirms our belief that economic activity probably was relatively sluggish during the month.

Personal Income and Outlays - Sharp increases in hourly earnings and in payrolls suggest that the wage component of personal income grew sharply. In addition, farm income remains sharply depressed. With shifts in estimated farm inventory holdings early in 1989 as a result of the ending of the drought effect, personal income should surge sharply during the first quarter. This will lead to higher estimated savings rates. Although retail sales did not capture the surge followed by slump in units sold, the durable goods component of personal outlays did. Because of a sharp surge in December, a significant slowing is expected in durable expenditures in January. Price increases probably will lead to a significant spurt in nondurables. In addition, increasing stock market activity suggests that the service component also will be growing sharply. This suggests that real consumer spending will not retrench in January following sharp gains in December.

Failure of automobile sales to reflect fluctuations in unit auto sales remains a mystery. Perhaps, a significant upward adjustment in auto sales will develop when annual adjustments to the survey are made. Sales of nonauto durables have been surprisingly strong, but this probably is reflected by weather conditions. The remodeling market has been unusually brisk for this time of year. Indeed, some slowing might develop in nonauto durables during February when winter returns.

Construction - Better weather appears to be more important in generating housing activity than higher mortgage rates are responsible for dampening it. However, a decline in housing permits during January despite an 8% surge in housing starts strongly suggests that temporary weather conditions are completely responsible for the strong housing sector. As weather reversed direction in February, a significant drop is expected in housing activity. Furthermore, continuing increases in interest rates suggest that housing will weaken further in the spring.

Weather clearly assured strong growth in consumer spending in December. A continuation of that favorable weather will probably add to spending programs in January. However, public construction almost certainly will drop off sharply following that month. Nonresidential activity also should be slated for a significant decline.

Inflation increased a little for construction materials in December. However, no substantial inflationary pressures appear in that sector at this time.

Business Activity - Commercial aircraft continues to be a significant factor in stimulating nondefense capital goods orders. Orders were up dramatically in December both as a result of aircraft orders, strong automobile deliveries, and strong military orders. The military certainly should be reversed next month, as it was heavily dependent upon significant naval ship deliveries. However,

capital goods orders are far outstripping capital shipments at the present time. This suggests that stronger capital spending probably is in store for much of 1989.

Business inventories remain modest. Sluggish retail sales in December caused a spurt in retail inventories, but they had been well-managed in previous months. Manufacturing inventories are beginning to spurt, but no substantial imbalances in any inventory sectors appears at the present time.

Industrial production probably was overstated in the factory sector as a result of favorable weather. On the other hand, utilities were unusually low. In February, this pattern should reverse, with a continuation of modest growth in both industrial production and capacity utilization. Despite some upward revisions in capacity estimates, capacity continues to grow as measured by the Federal Reserve by only 2.5% per year.

Prices - Inflation reappeared in January. A large increase in fees for entertainment and hospitals caused a 6% annual rate of growth in the service sector. Although some January pricing patterns may have accelerated those adjustments at this time, higher wages and expectations of increasing inflation clearly also are factors. This suggests that consumer prices probably will grow more rapidly than originally expected, at least in the early months of this year.

On the other hand, a 1.0% increase in the PPI was partially the result of significant seasonal adjustment distortions. In making their annual seasonal adjustments, the Bureau of Labor Statistics assumed that the OPEC-induced price declines in 1986 and 1987 reflected normal seasonal behavioral patterns. A more appropriate procedure would have removed those observations as clearly being exogenous. The result was a 0.4% upward adjustment in the PPI seasonal for January. The seasonal in February will be adjusted upward by 0.2 percentage points from the previous year while March will be adjusted downward by 0.2 percentage points. Thus, after growing very rapidly in December and January, the PPI could grow very slowly or not at all by March.

These sharp increases in prices will lead to more rapid growth in the GNP deflator than previously expected. Inflation as measured by the CPI probably will grow between 5.0% and 5.5% in 1989. The GNP deflator probably will now grow between 4.5% and 5%.

Miscellaneous - Despite a 6% increase in exports during December, the trade deficit showed minimal improvement. Sharp increases in oil imports were partially responsible for this disappointing result. However, the value of oil will continue to rise as higher priced oil is delivered in January and February. In addition, exports should not grow so robustly in the next few months. Indeed, merchandise trade balances are hovering near $10 billion a month after improving significantly in the past year.

Part of this disappointing improvement clearly is the result of continued strength in the dollar's value. Anticipations of higher interest rates in the United States along with belief that currency stability will be maintained has led to a stronger dollar against some of the leading currencies. However, failure to register further improvement in the merchandise trade balances almost certainly will lead to dollar declines as the year progresses.

The sharp increase in prices will cause real money balances to fall in January. Also, slow permit growth indicates the leading indicators may decline slightly.

However, stronger growth in economic activity, even if it is the result of unusual weather, should lead to greater profitability. This, in turn, appears to be a factor supporting higher equity values. When interest rates rise, the dollar falls, and declining growth rates lead to falling profitability, equity values should decline. Our current projections show a decline developing in the spring.

Financial Markets

Strong farm income should add to household savings early in the year. As a result, the household sector could be encouraging slight declines in interest rates. Later in the year, however, slower employment growth should restrict the capacity of the household sector to significantly increase savings behavior.

More significant interest rate pressures will be developing from the corporate sector. Borrowings are expected to remain heavy through the year as capital expansion and inventory accumulation exceed cash flow. Any acceleration of inflationary pressures will merely add to the borrowing needs for inventory investment purposes.

Government borrowings will remain relatively stable through the year. This suggests that the deficit will neither be declining nor rising through most quarters.

Thus, domestic savings flows would suggest some gradual increases in interest rates as a result of corporate borrowings slightly exceeding household net additions to savings.

As has been the case in recent months, the direction of interest rates will depend heavily upon the expectations of foreign investors. As long as those investors believe that the dollar can remain stable, positive capital flows will prevent interest rates from rising. However, once the dollar begins sliding and generating anticipations that further declines are likely higher interest rates will be necessary to entice foreign capital flows. This dollar weakness is expected to begin surfacing as early as late February. Thus, some upward pressures upon interest rates could be developing at that time.

At the same time, the Federal Reserve is engaging in monetary restraint. This restraint is generating higher interest rate pressures. Clearly, rising inflationary pressures suggest that restraint will persist through most of 1989. Only late in the year will a possible reversal of tight monetary restraint be possible. Thus, interest rates could begin trending down late this year or early next year. In the meantime, sharply higher interest rates appear in store.

Equity Markets - As long as interest rates remain stable, growth generates increasing profitability, and the dollar remains strong, equity values will increase. When those conditions turn, as they have done temporarily late in February, equity values will decline. However, interest rates should again stabilize and even decline slightly in the next month or so. The dollar should remain near current levels. However, the Dow Jones is not expected to rise significantly above 2300 in a spring advance. Moreover, a decline to the vicinity of 2000 appears likely by the end of the year.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	106973	106973	127.1	127.1	115573	115573	5.3	5.3	9.43	9.43
November	107377	107419	127.0	127.1	115947	115947	5.4	5.4	9.42	9.42
December	107656	107640	127.1	127.2	116009	116009	5.3	5.3	9.44	9.44
January 1989	108026	108048	127.6	128.5	116435	116711	5.3	5.4	9.50	9.50
February	108277	108216*	128.0	128.2*	116700	116876*	5.2	5.4*	9.55	9.54*
March	108526	108473	128.4	128.5	116965	117142	5.2	5.3	9.60	9.59
April	108753	108729	128.7	128.9	117168	117423	5.1	5.2	9.63	9.62
May	108960	108993	129.0	129.2	117381	117714	5.0	5.1	9.66	9.65
June	109165	109176	129.2	129.3	117592	117902	5.0	5.2	9.68	9.69
July	109328	109355	129.4	129.5	117746	118098	5.0	5.2	9.72	9.73
August	109555	109562	129.7	129.7	117980	118334	5.0	5.1	9.77	9.78
September	109784	109759	129.9	130.0	118221	118484	4.9	5.2	9.81	9.82
October	109938	109962	130.0	130.2	118403	118705	4.9	5.1	9.85	9.87
November	110037	110143	130.2	130.3	118559	118919	4.9	5.1	9.90	9.93
December	110235	110352	130.3	130.5	118716	119148	4.9	5.0	9.95	9.99
January 1990	110423	110517	130.6	130.7	118914	119333	4.8	4.9	9.99	10.04
February	110617	110703	130.8	130.9	119151	119550	4.8	4.9	10.04	10.10
March	110809	110886	131.1	131.1	119362	119788	4.9	4.9	10.09	10.16

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	4.184	4.178	2.512	2.508	182.9	178.8	3.587	3.583	3.404	3.404
November	4.175	4.170	2.520	2.516	153.3	156.5	3.577	3.573	3.423	3.416
December	4.196	4.207	2.522	2.530	157.6	158.5	3.598	3.606	3.440	3.448
January 1989	4.223	4.242*	2.543	2.562*	167.9	181.8*	3.620	3.643*	3.452	3.461*
February	4.272	4.273	2.571	2.577	189.6	187.4	3.664	3.673	3.474	3.486
March	4.320	4.310	2.599	2.601	206.3	194.5	3.702	3.708	3.496	3.514
April	4.343	4.340	2.608	2.617	200.6	195.6	3.719	3.734	3.518	3.538
May	4.366	4.363	2.617	2.632	196.7	198.6	3.734	3.752	3.537	3.553
June	4.389	4.388	2.626	2.645	197.3	193.7	3.750	3.770	3.553	3.576
July	4.412	4.411	2.645	2.661	197.1	193.1	3.773	3.786	3.576	3.593
August	4.434	4.439	2.665	2.679	199.8	200.0	3.797	3.808	3.597	3.608
September	4.456	4.467	2.686	2.697	201.8	198.6	3.820	3.830	3.618	3.631
October	4.479	4.495	2.699	2.715	195.3	205.3	3.835	3.850	3.640	3.645
November	4.501	4.526	2.712	2.735	192.7	206.9	3.852	3.874	3.659	3.667
December	4.523	4.557	2.725	2.756	191.1	210.1	3.868	3.899	3.677	3.689
January 1990	4.552	4.577	2.744	2.775	194.2	212.8	3.895	3.924	3.701	3.711
February	4.582	4.607	2.764	2.796	202.5	213.9	3.926	3.942	3.724	3.728
March	4.613	4.639	2.785	2.818	209.4	221.8	3.953	3.971	3.744	3.749

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	3302.9	3302.2	452.0	452.0	1071.3	1071.3	1778.8	1778.8	2613.6	2612.5
November	3321.6	3313.7	453.6	453.6	1077.4	1077.4	1782.6	1782.6	2617.9	2617.9
December	3335.8	3344.5	472.1	472.1	1076.9	1076.9	1795.5	1795.5	2635.4	2635.4
January 1989	3349.1	3358.2*	460.7	464.4*	1080.5	1085.5*	1807.6	1808.3*	2628.8	2635.2*
February	3371.0	3382.2	463.5	470.6	1085.6	1090.1	1821.9	1821.5	2637.7	2643.5
March	3391.9	3409.7	466.5	480.3	1090.8	1095.4	1834.6	1834.3	2643.7	2655.8
April	3414.1	3434.1	470.2	487.5	1097.4	1098.7	1846.5	1847.9	2646.6	2664.5
May	3432.5	3448.6	472.4	483.8	1101.3	1104.1	1858.5	1860.7	2648.5	2663.3
June	3447.4	3471.0	471.6	487.5	1105.5	1109.3	1870.3	1874.2	2647.8	2668.9
July	3470.1	3487.1	474.3	485.2	1113.4	1115.4	1882.4	1886.5	2655.0	2670.1
August	3490.9	3501.7	476.8	481.4	1118.6	1120.6	1895.5	1899.7	2662.8	2669.8
September	3511.4	3524.6	479.3	486.4	1123.9	1126.0	1908.2	1912.2	2670.3	2677.1
October	3532.3	3537.3	481.5	481.6	1130.1	1131.6	1920.7	1924.1	2671.9	2674.0
November	3551.1	3558.9	483.3	484.4	1134.0	1136.9	1933.8	1937.6	2672.0	2677.3
December	3567.9	3579.9	483.3	488.0	1138.0	1141.4	1946.6	1950.5	2672.6	2680.2
January 1990	3591.6	3601.8	486.5	489.9	1146.2	1149.1	1958.9	1962.8	2680.3	2685.1
February	3614.0	3618.3	489.4	490.0	1151.9	1154.0	1972.7	1974.3	2687.0	2685.7
March	3633.8	3638.9	490.2	490.7	1157.5	1160.7	1986.3	1987.5	2691.7	2688.8

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	136.56	136.56	20.90	20.90	9.8	9.9	85.36	85.36	30.30	30.30
November	137.81	137.87	21.10	21.10	10.2	10.2	85.80	85.80	30.91	30.91
December	138.03	138.15	21.51	21.69	11.7	11.6	85.70	85.78	30.82	30.69
January 1989	138.04	138.91	21.27	22.04	9.9	9.8	86.04	86.47	30.73	30.40
February	138.77	140.15*	21.16	22.30*	10.3	10.0*	86.45	86.83*	31.16	31.02*
March	139.52	141.68	21.13	22.36	10.7	10.5	86.86	87.26	31.53	32.06
April	140.47	142.75	21.58	22.50	10.6	10.7	87.39	87.52	31.50	32.73
May	141.03	142.77	21.57	22.27	10.7	10.6	87.70	87.95	31.76	32.55
June	141.27	143.59	21.65	22.43	10.6	10.7	88.03	88.36	31.59	32.80
July	141.50	143.82	21.88	22.61	10.2	10.5	88.66	88.85	30.96	32.36
August	142.90	143.80	22.24	22.80	10.5	10.3	89.08	89.26	31.58	31.74
September	143.60	144.80	21.99	22.76	10.8	10.5	89.50	89.69	32.11	32.35
October	144.34	144.70	22.38	23.04	10.1	10.2	89.99	90.14	31.97	31.52
November	144.86	145.44	22.23	23.20	10.3	10.4	90.30	90.56	32.33	31.68
December	145.18	146.21	21.80	22.86	10.6	10.7	90.62	90.92	32.76	32.43
January 1990	146.19	147.03	22.33	22.95	10.5	10.6	91.27	91.53	32.59	32.55
February	146.97	147.44	22.56	23.11	10.6	10.5	91.73	91.92	32.68	32.41
March	147.49	148.06	22.70	23.05	10.5	10.5	92.17	92.46	32.62	32.55

Fore. = February Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	1.542	1.533	1.112	1.136	1.516	1.516	407.8	408.2	349.8	350.1
November	1.563	1.558	1.151	1.135	1.517	1.516	411.1	412.4	352.6	353.7
December	1.506	1.568	1.121	1.123	1.502	1.566	408.2	422.7	349.2	361.6
January 1989	1.490	1.693	1.095	1.203	1.473	1.523	410.3	427.8*	350.4	365.4*
February	1.443	1.483*	1.063	1.083*	1.416	1.463*	409.8	416.5	349.7	355.1
March	1.405	1.466	1.032	1.076	1.372	1.442	409.4	416.7	348.7	354.4
April	1.457	1.478	1.056	1.075	1.375	1.443	409.3	411.0	348.0	348.9
May	1.490	1.460	1.084	1.062	1.413	1.427	409.5	411.0	347.3	348.0
June	1.466	1.467	1.055	1.054	1.392	1.416	409.3	411.5	346.6	347.5
July	1.438	1.447	1.037	1.036	1.375	1.392	411.9	411.2	347.9	346.4
August	1.414	1.432	1.025	1.021	1.356	1.376	413.2	411.2	347.8	345.3
September	1.423	1.417	1.011	1.002	1.364	1.343	414.4	409.5	347.7	342.9
October	1.425	1.398	1.020	0.993	1.343	1.345	414.3	408.8	346.7	341.5
November	1.413	1.388	1.012	0.976	1.327	1.336	414.6	407.2	346.1	339.3
December	1.414	1.395	1.018	0.984	1.330	1.343	414.5	408.1	344.8	339.3
January 1990	1.369	1.406	0.984	0.992	1.306	1.348	414.9	409.5	344.0	339.6
February	1.358	1.407	0.976	1.005	1.298	1.350	416.1	412.8	343.9	341.1
March	1.345	1.424	0.968	1.008	1.299	1.358	417.4	416.1	343.5	342.7

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	130.9	130.7	77.9	77.9	199.0	199.6
November	129.7	131.6	80.9	80.5	200.4	200.3
December	128.4	135.3	79.5	86.8	200.3	200.9
January 1989	128.8	136.0*	81.0	86.5*	200.5	205.3*
February	128.4	131.6	80.6	82.5	200.8	202.4
March	127.8	132.0	81.5	82.7	200.1	202.0
April	128.3	130.9	81.7	82.5	199.3	197.6
May	128.8	130.5	82.0	82.9	198.7	197.6
June	129.2	130.1	82.0	83.2	198.1	198.2
July	129.5	130.4	82.5	83.0	199.9	197.8
August	129.8	130.1	82.6	83.4	200.8	197.7
September	130.1	129.7	82.8	83.3	201.5	196.5
October	130.4	129.9	83.0	83.7	200.9	195.2
November	130.6	129.5	83.2	83.5	200.8	194.2
December	130.9	130.1	82.8	83.9	200.8	194.1
January 1990	131.5	129.6	83.5	84.4	199.9	195.5
February	132.3	130.5	84.2	84.7	199.6	197.6
March	133.1	131.3	84.9	85.2	199.4	199.6

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	349.4	349.4	122.79	122.79	34.62	34.62	32.69	32.60
November	350.9	351.6	122.77	123.04	35.67	35.83	32.43	32.51
December	352.4	354.0	121.85	130.95	34.23	38.75	32.47	32.34
January 1989	354.3	356.3*	123.74	124.76*	34.93	35.56*	32.96	32.63*
February	356.8	358.2	122.19	124.55	33.67	34.95	33.02	32.85
March	359.2	360.1	122.85	124.92	33.84	35.17	33.10	33.26
April	361.5	362.3	123.75	125.16	34.26	34.73	33.43	33.49
May	363.6	364.5	123.14	125.89	34.05	34.92	33.88	33.72
June	365.8	366.7	123.67	126.39	34.35	35.14	34.25	33.94
July	367.9	368.5	124.51	127.01	34.97	34.85	34.56	34.26
August	369.5	370.9	125.89	127.25	35.37	34.96	34.65	34.53
September	372.3	373.5	125.11	126.54	35.11	35.21	34.47	34.29
October	374.6	375.7	124.48	126.82	34.96	34.85	34.69	34.36
November	376.8	378.1	125.93	127.73	35.22	34.72	34.83	34.72
December	378.9	380.4	126.21	127.65	35.29	34.53	34.98	35.03
January 1990	381.1	383.6	127.72	128.82	35.56	34.59	35.15	35.13
February	382.4	385.9	127.85	127.91	36.42	34.65	35.70	34.89
March	383.7	387.1	127.56	128.12	36.40	34.63	36.28	35.27

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	751.4	750.6	8.43	8.43	139.3	139.4	84.0	84.0
November	754.4	753.7	8.55	8.66	139.9	139.9	84.2	84.1
December	755.0	760.6	8.63	10.10	140.2	140.6	84.1	84.4
January 1989	760.6	765.3*	8.54	8.73*	140.8	141.1	84.3	84.4
February	766.5	770.1	8.51	8.65	141.2	141.5*	84.4	84.5*
March	772.3	775.2	8.43	8.67	141.6	141.9	84.5	84.6
April	775.7	779.7	8.50	8.48	142.3	142.4	84.8	84.8
May	779.6	783.8	8.55	8.59	142.7	142.8	84.9	84.9
June	783.4	787.5	8.56	8.62	143.2	143.3	85.1	85.1
July	788.1	792.4	8.53	8.65	143.4	143.6	85.0	85.1
August	792.0	797.3	8.55	8.72	143.2	143.9	84.7	85.1
September	795.8	803.1	8.56	8.78	143.5	144.1	84.7	85.0
October	801.1	808.2	8.59	8.69	143.7	144.4	84.6	85.0
November	806.6	813.1	8.61	8.76	143.8	144.7	84.5	85.0
December	812.1	818.9	8.63	9.42	143.9	145.0	84.4	85.0
January 1990	815.3	824.1	8.60	8.57	144.1	145.2	84.3	84.9
February	818.2	829.3	8.65	8.73	144.3	145.4	84.2	84.8
March	821.1	833.7	8.73	8.72	144.6	145.5	84.2	84.7

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	119.9	119.9	109.5	109.5	107.1	107.1	123.4	123.4
November	120.3	120.3	109.8	109.8	107.4	107.4	123.8	123.8
December	120.8	120.7	110.3	110.2	108.1	108.1	124.2	124.1
January 1989	121.2	121.3	110.8	111.3	108.7	109.1	124.5	124.7
February	121.5	121.7*	111.1	111.7*	109.0	109.4*	124.8	125.2
March	121.8	122.1	111.4	111.9	109.1	109.8	125.1	125.6
April	122.4	122.5	111.8	112.4	109.7	110.1	125.6	126.0
May	122.9	123.0	112.1	112.8	110.2	110.4	126.1	126.4
June	123.3	123.6	112.4	113.2	110.6	111.0	126.5	126.9
July	124.0	124.1	112.8	113.5	111.3	111.4	127.0	127.3
August	124.7	124.6	113.3	113.8	111.8	111.8	127.4	127.8
September	125.4	125.2	113.9	114.2	110.5	110.5	127.8	128.2
October	125.9	125.8	114.4	114.6	111.8	112.1	128.4	128.7
November	126.3	126.3	114.8	115.1	112.1	112.5	128.9	129.2
December	126.7	126.9	115.1	115.5	112.4	112.7	129.5	129.8
January 1990	127.3	127.4	115.6	115.9	113.0	113.2	129.9	130.3
February	127.9	128.0	116.3	116.4	113.6	113.7	130.3	130.9
March	128.5	128.6	117.0	117.0	114.1	114.3	130.7	131.5

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	126.4	126.4	111.0	111.0	118.4	118.4	136.8	136.8	116.6	116.6
November	126.6	126.6	111.1	111.1	118.2	118.2	137.3	137.3	116.6	116.6
December	126.9	126.9	111.8	111.8	118.4	118.4	137.8	137.8	116.9	116.9
January 1989	127.4	127.4*	112.0	112.4*	118.6	118.7*	138.4	138.3*	117.1	117.1*
February	127.8	127.9	112.3	112.7	118.7	119.2	138.9	138.9	117.2	117.3
March	128.3	128.4	112.6	113.0	119.4	119.6	139.3	139.5	117.4	117.6
April	129.0	128.9	112.9	113.2	120.2	120.1	140.0	140.1	117.6	117.8
May	129.6	129.5	113.1	113.5	120.9	120.6	140.8	140.8	117.9	118.1
June	130.2	130.1	113.3	113.8	121.5	121.1	141.5	141.5	118.1	118.4
July	130.7	130.6	113.7	114.1	121.8	121.6	142.1	142.1	118.4	118.7
August	131.1	131.2	114.1	114.4	122.0	122.1	142.7	142.7	118.8	119.1
September	131.5	131.7	114.5	114.6	122.3	122.5	143.3	143.4	119.2	119.4
October	132.2	132.3	114.8	115.0	123.0	123.0	144.0	144.1	119.5	119.7
November	132.9	132.9	115.1	115.3	123.8	123.7	144.7	144.8	119.8	120.0
December	133.5	133.6	115.4	115.6	124.6	124.4	145.4	145.5	120.2	120.3
January 1990	134.0	134.1	115.7	116.0	124.9	125.0	146.0	146.1	120.6	120.6
February	134.5	134.7	116.0	116.3	125.1	125.5	146.7	146.8	121.0	121.0
March	135.0	135.3	116.3	116.6	125.4	126.1	147.4	147.5	121.5	121.4

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	-8.88	-8.88	193.6	193.6	4963	4963	4022	4022	-24.4	-24.4
November	-10.18	-10.38	193.2	193.2	4984	4984	4026	4026	-20.7	-20.7
December	-9.96	-9.96	192.6	194.4	5023	5023	4044	4048	-20.6	-20.6
January 1989	-10.26	-10.17*	193.0	194.0*	5066	5072	4069	4067	-20.1	-23.9
February	-10.72	-10.29	193.2	193.5	5085	5093	4075	4068	-21.4	-26.4
March	-10.35	-9.58	192.9	194.2	5120	5128	4093	4083	-22.7	-27.8
April	-10.11	-9.93	192.5	194.5	5153	5157	4103	4093	-21.9	-24.3
May	-10.01	-10.25	192.9	194.1	5186	5189	4113	4105	-21.5	-21.2
June	-9.86	-9.82	193.4	192.7	5219	5225	4126	4117	-21.3	-19.8
July	-9.95	-9.95	193.3	193.1	5237	5249	4124	4123	-25.9	-20.5
August	-9.81	-9.76	193.0	193.5	5258	5273	4127	4142	-28.3	-24.6
September	-9.65	-9.53	192.5	193.8	5279	5298	4131	4133	-31.0	-28.1
October	-9.55	-9.48	192.0	192.8	5305	5335	4132	4145	-27.6	-29.2
November	-9.94	-9.97	191.1	192.5	5334	5376	4138	4161	-25.3	-30.6
December	-10.28	-10.11	191.3	193.0	5362	5403	4141	4163	-23.1	-29.5
January 1990	-9.79	-9.83	190.7	193.2	5390	5442	4149	4177	-29.6	-27.3
February	-9.71	-9.51	190.9	193.6	5417	5467	4157	4176	-31.3	-25.6
March	-9.64	-9.27	190.5	193.1	5445	5498	4166	4181	-33.0	-25.9

	Currency Index		Adjusted Profits		30-Year Government Bonds		New York Composite	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	95.10	95.10	185.4	185.4	8.89	8.89	156 36	156.36
November	91.91	91.91	186.9	186.9	9.02	9.02	152.67	152.67
December	92.65	91.88	177.3	180.3	9.01	9.01	155.34	155.34
January 1989	95.43	95.12	182.2	186.3	8.92	8.93	158.53	158.26
February	97.22	96.14*	181.1	182.5	9.03	9.04*	161.46	161.53*
March	96.25	95.73	179.9	184.2	9.04	9.06	161.06	161.92
April	94.43	94.58	178.5	182.7	8.86	8.91	163.49	164.85
May	93.36	92.75	177.2	183.9	8.73	8.87	162.25	165.27
June	92.71	94.26	175.8	185.3	9.02	9.11	158.07	162.36
July	92.43	94.20	171.2	180.7	9.38	9.43	154.62	157.53
August	92.00	92.73	169.3	181.6	9.53	9.52	151.72	154.48
September	91.66	91.55	167.6	179.5	9.51	9.60	148.85	156.69
October	90.43	90.22	166.8	173.2	9.63	9.55	150.25	153.82
November	86.55	88.77	165.5	171.8	9.69	9.64	149.53	150.91
December	86.92	86.29	164.5	172.3	9.83	9.73	148.86	149.76
January 1990	90.43	86.85	160.2	170.1	9.80	9.72	145.79	148.95
February	91.67	87.82	156.5	168.4	9.79	9.75	144.81	150.27
March	90.25	86.88	153.3	165.9	9.75	9.62	143.78	150.58

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	283.3	283.3	783.5	785.5	3037.5	3042.3	8.30	8.30	7.50	7.50
November	285.0	285.0	783.6	786.7	3054.0	3059.9	8.35	8.35	7.76	7.76
December	285.0	284.8	787.5	790.3	3066.2	3073.0	8.76	8.76	8.24	8.24
January 1989	288.6	289.6	789.3	786.4	3075.3	3070.1	9.02	9.12	8.38	8.36
February	291.3	289.5*	791.2	789.0*	3084.7	3074.3*	9.15	9.26*	8.53	8.46*
March	294.0	291.6	793.1	793.4	3093.2	3092.6	9.24	9.37	8.62	8.57
April	295.2	293.9	800.2	799.4	3120.6	3115.9	9.27	9.35	8.65	8.53
May	296.1	296.0	809.5	806.0	3143.2	3141.6	9.23	9.42	8.63	8.62
June	297.0	297.3	818.0	810.1	3166.5	3160.5	9.25	9.68	8.55	8.81
July	298.9	298.9	816.5	812.4	3180.2	3176.3	9.68	9.78	8.76	8.86
August	300.7	300.5	817.6	815.9	3193.1	3192.2	9.79	9.89	8.93	8.80
September	302.5	302.1	818.9	819.6	3207.3	3211.4	9.84	9.85	9.02	8.92
October	304.1	303.6	823.2	822.8	3223.5	3227.5	10.13	10.03	9.15	9.07
November	305.3	305.3	826.8	826.8	3246.1	3246.9	10.23	10.20	9.18	9.11
December	306.5	306.6	830.4	829.4	3269.0	3263.1	10.36	10.34	9.20	9.20
January 1990	308.5	308.4	836.3	833.3	3291.5	3278.4	10.35	10.36	9.17	9.15
February	310.3	309.9	842.8	836.7	3306.8	3291.8	10.38	10.42	9.15	9.21
March	312.1	311.6	848.9	842.3	3320.7	3313.8	10.34	10.40	9.12	9.20

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1988	9.51	9.51	7.47	7.47	8.24	8.24	8.36	8.36	10.00	10.00
November	9.45	9.45	7.46	7.46	8.66	8.66	8.78	8.78	10.05	10.05
December	9.57	9.57	7.61	7.61	9.11	9.11	9.25	9.25	10.50	10.50
January 1989	9.58	9.62	7.43	7.35	9.05	9.04	9.15	9.20	10.50	10.50
February	9.50	9.65*	7.38	7.52*	9.20	9.30*	9.29	9.43*	10.50	10.83*
March	9.46	9.68	7.35	7.55	9.26	9.38	9.35	9.49	10.50	11.00
April	9.40	9.65	7.31	7.52	9.38	9.39	9.43	9.50	10.50	11.00
May	9.47	9.73	7.40	7.61	9.35	9.45	9.45	9.56	10.50	11.00
June	9.54	9.82	7.52	7.70	9.40	9.65	9.49	9.73	10.50	11.23
July	9.83	9.89	7.73	7.78	9.65	9.76	9.76	9.84	11.00	11.50
August	9.92	10.04	7.80	7.85	9.76	9.91	9.84	10.03	11.00	11.50
September	10.01	10.01	7.88	7.83	9.86	9.87	9.93	9.97	11.39	11.50
October	10.20	10.15	7.96	7.92	10.15	10.13	10.24	10.26	11.58	11.86
November	10.36	10.18	8.11	7.96	10.24	10.22	10.35	10.35	12.00	12.00
December	10.25	10.26	8.20	8.11	10.35	10.35	10.46	10.44	12.00	12.00
January 1990	10.25	10.25	8.12	8.07	10.33	10.33	10.44	10.45	12.00	12.00
February	10.22	10.22	8.05	8.05	10.36	10.40	10.47	10.51	12.00	12.00
March	10.17	10.17	8.01	8.01	10.38	10.37	10.49	10.46	12.00	12.00

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